CONSUMER COOPERATIVES

By

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As a Devise for Savings and the Elimination of Waste in the Distribution of Food

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Introductory Remark

The purpose of this paper is to make an analysis of how consumers cooperative associations can be utilized within the scope of a program directed toward making savings in the process of marketing of agricultural products and eliminating unnecessary waste. It should be stressed that in referring to "cooperative organizations", distributive business-firms controlled by the ultimate buyers and organized with some or all of the familiar Rochdale principles of consumer cooperation are meant and not "cooperation" in its broad meaning of the word. In other words in the treatment of the theme only the consumer cooperative enterprise is considered and its possible role in the program of savings is contrasted with other forms of business organizations.

Cooperative action gives proof of such flexibility and is so rich in a variety of forms that it is difficult to express, in general terms, the contribution it could make to an improvement of the distribution of food at wartime. The only method of dealing with the subject is to review the characteristics of cooperative enterprise which enable it to be distinguished from the private trade aiming at profit only.

I EXTENT OF CONSUMER COOPERATION

The development of the cooperative movement has reached at present a point where it cannot be further ignored either on an international or a national level. Although in most countries statistics on cooperatives are not always adequately accurate, it would be noteworthy to mention that pre-war

reports of the International Cooperative Alliance in London listed as members 108,000 organizations in 39 countries, with a membership of over 100,000 million, excluding the U.S.S.R. The pre-war annual business of consumers cooperatives amounted to 36 billion dollars. In Great Britain, cooperators spent $1,204,000,000 at their retail stores in 1941. The London Cooperative Society alone has a membership of more than 700,000 families. Such cooperative enterprises as the gigantic English and Scottish Cooperative Wholesale Societies, plans for amalgamation of which are considered at present, have been the largest food distributors in their respective countries, serving 8,716,894 member-families through more than a 1,000 retail cooperatives. The annual trade of the English Cooperative Wholesale is 628 million dollars; that of the Scottish Wholesale amounts to 128 million dollars. They have foreign and colonial depots in America, Australia, Canada, New Zealand, Spain, West Africa, and hold capital in New Zealand Producers' Cooperative Marketing Association. They own 35,249 acres of tea plantations in India and Ceylon, and cocoa and chocolate works in England. The value of their supplies of tea, coffee, cocoa and chocolate alone is over 30 million dollars a year. If these two cooperative organizations will amalgamate in the near future, they will make undoubtedly one of world's largest food distributing agency.

The statistics on cooperatives in this country is far from complete. As to farmers' marketing and purchasing cooperatives, their total number equalled 10,550 in 1942, according to the not yet released data of the Farm Credit Administration. For the same year, their total marketing and

purchasing business reached $2,800,000,000; while the estimated membership was 3,400,000,000 in 1940-41. In 1935, 23 percent of all the farm supplies business of the United States was done by farmers cooperative organizations. In 1934, 23 percent of the income of our farmers came from marketing cooperatives.

According to the Survey of the United States Department of Interior, Fish and Wildlife Service, fishery cooperative associations marketed nearly one billion pounds of fish, worth about 9 million dollars in 1936. This business constituted about 24 percent, by weight, of the fish produced by our fisheries and about 10 percent of their first-sale value. The investments of fishery cooperatives in plants, equipment, and other facilities amounted to about 5 million dollars, while their members had about 24 million dollars invested in boats and gear.

As to consumers' associations the following tables (see Tables 1 - 5) may give an overall picture of the movement.

The last survey of the Bureau of Labor Statistics revealed, in round figures, 54 federations with 51 branches and 4,500 local cooperatives with an estimated paid-up membership of over 1,427,000 and 146,000 partly paid members in 1941. Eleven thousand nine hundred and seventy eight workers were employed in 1,342 local cooperatives and 48 federations reporting on this question, the total amount of wages having reached $17,878,553. The total business of consumer cooperation aggregated almost 461 million dollars in 1941. It was estimated at $700,000,000 by the Cooperative League of the United States in September 1942, of this, local cooperatives accounted for 356 million dollars, while the business of cooperative federations

Table 1.- Estimated business of local consumers' cooperatives, 1941
(in dollars)

Type of association	Estimated number of associations: By type of operation	Estimated number of associations: Total	Estimated business: By type of operation	Estimated business: Total
1. Retail distribution	--	3,850	---	345,150,000
a. Stores and buying clubs	2,400	--	160,000,000	---
b. Petroleum associations	1,400	--	179,000,000	---
c. Other distributive associations	50	--	6,150,000	
2. Retail distributive departments of marketing associations 1/	--	524	---	119,122,000
3. Service associations	--	621	---	10,897,000
a. Associations providing rooms and/or meals	325	--	4,525,000	---
b. Housing (apts. or dwellings)	59	--	2/ 1,575,000	---
c. Medical and/or hospital care	3/ 35	--	3/ 2,550,000	---
d. Burial 4/	41	--	265,000	---
e. Cold storage	45	--	900,000	---
f. Water	33	--	2/ 375,000	---
g. Printing and publishing	16	--	450,000	---
h. Recreational facilities	22	--	70,000	---
i. Miscellaneous	45	--	187,000	---
4. Electricity associations	--	825	---	33,410,000
5. Telephone associations	--	5,000	---	2/ 5,485,000
6. Credit unions	--	10,425	---	5/ 362,779,000
7. Insurance associations	--	2,000	---	6/ 170,000,000
Total	4,471	23,245	356,047,000	1,046,843,000

1/ Includes only purchasing departments handling consumer goods; figures are not estimates but data given by reporting associations.
2/ Gross income.
3/ This includes 24 associations having insurance arrangement and the business of $1,425,000 and 11 associations having their own facilities and the business of $14,000.
4/ Including 35 associations having own facilities and the business of $255,000, and 6 associations having contract arrangement and the business of $2,500.
5/ Amount of loans made during the year.
6/ Gross premium income.

a. ("---" means that no data available).

Source: U. S. Dept. of Labor, Bureau of Labor Statistics, Monthly Labor Review, Vol. 55, # 5, Nov. 1942, p.986.

Table 2.- Business, Net Earnings and Patronage Refunds of Cooperative Wholesales in 1941

Associations		Grand Total	Distributive: Wholesale	Distributive Retail	Productive: Department	Services: Total	Audit-ing	Truck-ing	Auto Repair	Insur-ance bonds etc.	Manage-ment	Gasoline transport	Recre-ational Facil-ities	Loan	Other	Net earnings: Total	Patronage Refunds
		- - - In Dollars a/ - - -															
Interregional																	
1. National Cooperatives 1/	Ill.															38,928	---
2. United Cooperatives	Ind.	4,204,059	4,076,221	0	0	0	0	0	0	0	0	0	0	0	127,838	238,093	238,093
Sub-total		4,204,059	4,076,221	0	0	0	0	0	0	0	0	0	0	0	127,838	277,021	238,093
Regional																	
1. Central Cooperatives Wholesale	Wis.	2/ 4,813,967	4,792,257	0	319,764	21,710	21,710	0	0	0	0	0	0	0	0	144,113	125,757
Central States Cooperatives	Ill.	229,394	229,394	0	0	0	0	0	0	0	0	0	0	0	0	7,230	5,784
Consumers Cooperative Asso.	Miss.	2/ 9,172,723	8,677,313	383,450	1,826,257	48,634	7,541	34,421	0	6,672	0	0	0	0	63,326	3/ 426,009	320,050
Consumers Cooperative Asso.	Tex.	969,762	969,762	0	0	0	0	0	0	0	0	0	0	0	0	25,133	7,860
5. Cooperative Service Co.	Iowa	83,763	83,763	0	0	0	0	0	0	0	0	0	0	0	0	10,888	9,155
6. Eastern Cooperative Wholesale	N.Y.	2,110,611	2,107,827	0	0	2,784	0	0	0	2,784	0	0	0	0	0	40,660	0
7. Farm Bureau Coop. Asso.	Ohio	2/ 11,050,910	9,929,399	0	877,006	50,185	0	50,185	0	0	0	0	0	1,071,326	0	248,370	105,932
8. Farm Bureau Services	Mich.	3,741,774	3,523,985	206,376	0	11,413	0	0	0	0	11,413	0	0	0	0	4/ 88,420	45,268
9. Farmers Elevator Service Co.	Iowa	1,500,000	1,500,000	0	0	0	0	0	0	0	0	0	0	0	0	55,000	---
10. Farmers Union Central Exchange	Minn.	2/ 8,098,812	8,098,812	0	45,387	0	0	0	0	0	0	0	0	0	0	321,055	174,257
11. Farmers Union Coop. Brokerage	S.Dak.	598,762	595,762	0	0	1,563	0	1,563	0	0	0	0	0	0	1,437	-1,355	0
12. Farmers Union Coop. Oil Asso. of Nebraska	Nebr.	5/ 35,000	5/ 35,000	0	0	0	0	0	0	0	0	0	0	0	0	11,157	11,164
13. Farmers Union States Exchange	Nebr.	3,247,110	2,398,898	748,742	0	99,470	0	99,470	0	0	0	0	0	0	0	99,741	45,041
14. Grange Cooperative Asso.	Idaho	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
15. Illinois Farm Supply Co.	Ill.	8,359,583	8,359,583	0	0	0	0	0	0	0	0	0	0	0	0	1,094,408	883,753
16. Indiana Farm Bureau Coop. Asso.	Ind.	2/ 9,879,337	9,498,598	0	3,200,005	210,965	10,075	169,717	8,605	22,568	0	0	0	0	169,774	6/ 1,211,098	588,852
17. Iowa Farm Service Co.	Iowa	7/ 54,359	54,359	0	0	0	0	0	0	0	0	0	0	0	0	35,518	30,050
18. Midland Cooperative Wholesale	Minn.	6,223,796	6,228,796	0	0	0	0	0	0	0	0	0	0	0	0	124,781	102,051
19. Minnesota Farm Bureau Service Co.	Minn.	2/ 836,828	836,828	0	448,076	0	0	0	0	0	0	0	0	0	0	33,112	33,112
20. Northwest Cooperative Society	N.Dak.	30,944	30,944	0	0	0	0	0	0	0	0	0	0	0	0	762	643
21. Oregon Grange Wholesale	Ore.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
22. Pacific Supply Cooperative	Wash.	3,341,736	3,191,045	0	0	150,691	0	0	25,340	0	0	125,351	0	0	0	228,645	8/ 200,000
23. Pennsylvania Farm Bureau Cooperative Asso.	Pa.	2/ 2,604,327	2,604,327	0	1,243,569	0	0	0	0	0	0	0	0	0	0	129,903	76,502
24. Southern States Cooperative	Va.	18,080,714	18,080,714	0	0	0	0	0	0	0	0	0	0	0	0	603,709	535,064
25. United Cooperative Farmers	Mass.	1,410,423	1,410,423	0	0	0	0	0	0	0	0	0	0	0	0	—	—
26. Utah Cooperative Asso.	Utah	285,082	258,845	0	0	26,237	0	26,237	0	0	0	0	0	0	0	9/ 18,490	17,565
27. Wisconsin Coop. Farm Supply Co.	Wis.	543,649	543,649	0	0	0	0	0	0	0	0	0	0	0	0	14,168	9,278
Sub-total		10/ 97,303,366	94,040,283	1,338,568	7,960,064	623,652	39,326	381,593	33,945	32,024	11,413	125,351	0	1,071,326	234,537	4,971,015	3,327,138
District																	
1. A & B Cooperative Asso.	Wis.	121,473	121,473	0	0	0	0	0	0	0	0	0	0	0	0	8,588	7,728
2. Associated Coop's of Northern California	Calif.	190,431	190,431	0	0	0	0	0	0	0	0	0	0	0	0	2,197	1,437
3. C.A.P. Coop. Oil Asso.	Minn.	274,904	145,615	0	0	129,289	0	14,899	0	0	0	114,390	0	0	0	11/ 21,508	13,105
4. Central Wisconsin Coop. Warehouse Asso.	Wis.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
5. Consumers Coop. Wholesale	Calif.	9,987	9,987	0	0	0	0	0	0	0	0	0	0	0	0	375	—
6. Cooperative Services	Wis.	172,145	172,145	0	0	0	0	0	0	0	0	0	0	0	0	14,556	3,903
7. Fox River Valley Coop. Wholesale	Wis.	466,416	466,416	0	0	0	0	0	0	0	0	0	0	0	0	24,755	24,210
8. H.O.S. Cooperative Oil Asso.	Mich	149,581	149,581	0	0	0	0	0	0	0	0	0	0	0	0	10,368	7,041
9. Iron Cooperative Oil Asso. Wis.	Wis.	125,351	125,351	0	0	0	0	0	0	0	0	0	0	0	0	5,855	—
10. Northland Coop. Federation	Mich.	96,750	96,372	0	0	259	0	0	0	0	0	0	259	0	119	6,257	—
11. Price County Coop. Oil Asso.	Wis.	45,250	45,250	0	0	0	0	0	0	0	0	0	0	0	0	—	---
12. Range Coop. Federation	Minn.	2/ 1,002,086	900,746	0	261,180	76,827	0	16,868	40,243	16,396	0	0	3,320	0	12/ 24,513	30,931	27,931
13. Trico Coop. Oil Asso.	Minn.	254,980	254,980	0	0	0	0	0	0	0	0	0	0	0	0	31,139	30,551
Sub-total		2,909,354	2,678,347	0	261,180	206,375	0	31,767	40,243	16,396	0	114,390	3,579	0	24,632	156,529	115,906
TOTAL		10/ 104,421,779	100,794,851	1,338,568	8,221,244	830,027	39,326	413,360	74,188	48,420	11,413	239,741	3,579	1,071,326	387,007	5,404,565	3,681,137

a/ --- means no data are available.
1/ Business is that of pooling orders and making master contracts; figure for "business", therefore, impossible to give.
2/ Business of productive departments excluded as its value is already included in wholesale distributive business.
3/ Earnings on distributive wholesale, auditing, trucking and "other" - $161,346; on insurance, bonds, etc - $2,110; on production - $250,247.
4/ Earnings on distributive wholesale - $51,709; on distributive retail $32,534; on services - $4,177.
5/ Estimate
6/ Earnings on distributive wholesaling - $379,371; on services - $42,072; on production $482,085; loss on "other" $307,570.
7/ Brokerage income.
8/ Approximate
9/ Earnings on distributive wholesale $15,717; on trucking $2,773.
10/ The total arrived at by the Bureau of Labor Statistics does not include the estimate of $35,000 for the Farmers Union Cooperative Oil Association of Nebraska.
11/ Earnings on distributive wholesaling $17,054; on trucking $83,620; on gasoline $834
12/ Mortuary

Source: U.S. Department of Labor, Bureau of Labor Statistics, Monthly Labor Review - Vol. 55, N55, November 1942, pp. 989-991

Table 3.- Production by Central Cooperative Organizations in 1941 (in dollars)

Associations	Number of member associations	Products	Amount of business: By product	Amount of business: Total	Net earnings	Patronage refunds
I. Productive Departments of Wholesales						
1. Central Cooperative Wholesale (Wis.) - - - - - - -	--	Coffee roasting	191,341	--	1/	1/
		Bakery products	128,423	--	1/	1/
				319,764		
2. Consumers' Cooperative Association (Miss.) - - -	--	Printing	12,516	--	1/	
		Crude Oil 2/	14,704 3/	--	--	--
		Oil pipe line 2/	103,311	--	--	--
		Oil refining 2/	1,695,726	--	--	--
				1,826,257 3/	250,247 3/	206,859 3/
3. Farm Bureau Cooperative Association (Ohio) - - -	--	Feed	877,006	877,006	1/	1/
4. Farmers Union Central Exchange (Minn.)- - - - -	--	Lubricating oil	45,387	45,387	1/	1/
5. Indiana Farm Bureau Cooperative Association (Ind.) -	--	Gasoline, kerosene, lubricating oil	1,973,795	--	No data	--
		Printing	17,463	--	No data	--
		Fertilizer	1,208,744	--	No data	--
				3,200,005	482,085	--
6. Minnesota Farm Bureau Service Company (Minn.) - - - - -	--	Paint, feed, fertilizer	448,076	448,076	1/	1/
7. Pennsylvania Farm Bureau Cooperative Ass'n. (Penn.)	--	Feed	1,243,569	1,243,569	1/	1/
8. Range Cooperative Federation (Minn.) - - - - - - - - - - -	--	Meat products	70,625	--	1/	1/
		Butter	173,581	--	1/	1/
		Cheese	17,004	--	1/	1/
				261,180	1/	1/
Sub-total			8,221,244	8,221,244	732,332	206,859
II. Central Productive Federations						
1. Cooperative Fertilizer Service (Md.) - - - - - - - -	3	Fertilizer	3,855,402	3,855,402	176,637	109,395
2. Cooperative Mills (N. C.)- - -	2	Feed	478,360	478,360	34,644	34,644
3. Cooperative Mills (Ohio) - - -	3	Feed	--	--	--	--
4. Farm Bureau Chemical Cooperative (Ohio) - - - - - -	2	Fertilizer	507,162	507,162	6,780	--
5. Fertilizer Manufacturing Cooperative (Md.) - - - - - -	2	Fertilizer	1,035,074	1,035,074	--	--
6. Grange Powder Co. (Wash.) - -	2	Explosives, fertilizer	23,000	23,000	396	--
7. National Farm Machinery Cooperative (Ind.)- - - - - -	4	Farm machinery, equipment and supplies	91,428	91,428	-13,754	--
Sub-total - - - -	18		5,988,426	5,988,426	204,703	144,039
Grand total - - -			14,209,670	14,209,670	937,035	350,898

1/ Included with data for wholesale; see table ___.
2/ Through separate subsidiary organization.
3/ Ten months operations of the total net earnings $9,242 was earnings on crude oil; $36,690 on oil pipe line; $204,315 on oil refining. The patronage refunds were $4,958; $30,639; and $171,261 respectively.

Source: U. S. Department of Labor, Bureau of Labor Statistics. Monthly Labor Review, Vol. 55, No. 5, Nov. 1942, p. 995.

Table 4.- Service Operations of the Independent Service Federations in 1941 (in dollars)

Associations	Number of member associations	Amount of business: Total	Auditing, bookkeeping, bookkeeping instruction, tax service	Insurance	Loans	Rediscounting of trade acceptances	Trucking	Printing	Financing of sales contracts	Net earnings	Patronage refunds
1. Central Finance (Wis.)	2	51,000	--	--	--	--	--	--	51,000	290	--
2. Consumers Agency (Minn.)	302	19,236	--	19,236	--	--	--	--	--	574	--
3. Cooperative Auditing Service (Minn.)	413	44,258	44,258	--	--	--	--	--	--	3,090	2,781
4. Cooperative Publishing Association (Wis.)	58	92,321	--	--	--	--	--	92,321	--	1,1[illegible]	--
5. Equity Audit Co. (S.D.)	37	13,996	13,996	--	--	--	--	--	--	1,726	No data
6. Farmers Union Accounting Services (Minn.)	110	11,976	11,976	--	--	--	--	--	--	1/	--
7. Farmers Union Agency (Minn.)	No data	8,952	--	8,952	--	--	--	--	--	947	--
8. Farmers Union Carriers (Mont.)	15	12,636	--	--	--	--	12,636	--	--	1,595	--
9. Farmers Union Cooperative Credit Association (Minn.)	108	29,291	--	--	29,291	--	--	--	--	1,853	1,612
10. Grange Cooperative Printing Assoc. (Wash.)	11	31,151	--	--	--	--	--	31,151	--	2,674	2,674
11. Midland Credit Corporation (Minn.)	20	1,848	--	--	--	1,848 2/	--	--	--	807	625
12. Northwest Cooperative Auditing and Service Assoc. (Wash.)	52	No data	No data	--	--	--	--	--	--	1,043	708
Total	1,128	316,665	70,230	28,188	29,291	1,848	12,636	123,472	51,000	15,786	8,400

1/ Data not reported separately; included with data for distributive wholesale.
2/ Gross income.

Source: U. S. Department of Labor, Bureau of Labor Statistics. Monthly Labor Review. Vol. 55, No 5; Nov. 1942, P. 994.

Table 5.- Estimated number of associations and membership of consumers' cooperatives in 1941

Type of association	Estimated number of associations: By type of operator	Estimated number of associations: Total	Estimated membership: Fully paid: By Association	Estimated membership: Fully paid: Total	Estimated membership: Partly paid: By Association	Estimated membership: Partly paid: Total	Estimated membership: Total (fully paid and partly paid): By Association	Estimated membership: Total (fully paid and partly paid): Total
I. Local associations								
1. Retail distribution: - - - - - - -	--	3,850	--	1,163,200	--	142,393	--	1,305,593
a. Stores and buying clubs- - - - -	2,400	--	500,000	--	43,125	--	543,125	--
b. Petroleum associations - - - - -	1,400	--	645,000	--	89,102	--	734,102	--
c. Other distributive associations-	50	--	18,200	--	10,166	--	28,366	--
2. Retail distributive departments of marketing association - - - -	2/	2/ 524	--	2/ 156,000	--	0	--	156,000
3. Service associations:- - - - - - -	--	621	--	264,400	--	3,416	--	267,816
a. Associations providing rooms and/or meals - - - - - - - - -	325	--	28,000	--	1,315	--	29,315	--
b. Housing (apartments or dwellings)	59	--	2,100	--	0	--	2,100	--
c. Medical and/or hospital care - -	3/ 35	--	3/ 100,950	--	617	--	101,567	--
d. Burial - - - - - - - - - - - - -	4/ 41	--	4/ 27,000	--	1,072	--	28,072	--
e. Cold storage - - - - - - - - - -	45	--	25,000	--	141	--	25,141	--
f. Water - - - - - - - - - - - - -	33	--	2,000	--	115	--	2,115	--
g. Printing and publishing- - - - -	16	--	75,000	--	58	--	75,058	--
h. Recreational facilities - - - -	22	--	3,000	--	83	--	3,083	--
i. Miscellaneous - - - - - - - - -	45	--	1,350	--	15	--	1,365	--
4. Electricity associations - - - - -	--	825	--	1,205,000	--	0	--	1,205,000
5. Telephone associations - - - - - -	--	5,000	--	330,000	--	0	--	330,000
6. Credit unions - - - - - - - - - -	--	10,425	--	3,532,000	--	0	--	3,532,000
7. Insurance associations - - - - - -	--	2,000	--	10,000,000	--	0	--	10,000,000
Total - - - - - -	4,471	23,245	1,427,600	16,650,600	145,809	145,809	1,573,409	16,796,409
II. Federations								
1. Wholesale associations:	--	42	--	--				
a. Interregional - - - - - - - - - -	2	--	23	--				
b. Regional - - - - - - - - - - - - -	27	--	3,104	--				
c. District - - - - - - - - - - - - -	13	--	5/ 182	--				
2. Service federations - - - - - - - -	--	12	--	1,128				
3. Productive federations - - - - - - -	--	7	--	18				
4. Noncommercial federations: - - - -	--	40	--	569				
a. Nation-wide - - - - - - - - - - -	5	--	0	--				
b. Regional and state-wide - - - -	12	--	414	--				
c. District, county and city-wide -	23	--	155	--				
Total - - - - - -	82	101	5/ 3,696	1,715				

1/ In case of partly paid members the figures are not estimated but actually reported by associations.
2/ Includes only purchasing departments handling consumer goods; figures are not estimates but data given by reporting associations.
3/ Includes 24 associations having insurance arrangements with 86,950 fully paid members and 11 assn's. having own facilities with 14,000 members.
4/ Includes 35 assn's. with own facilities and 24,500 fully paid members, and 6 assn's. having contract arrangements with 2,500 fully paid members.
5/ In obtaining the figure of the total membership the number of district wholesales cannot be added to other membership, as a very large part of these associations are also members of the regional wholesales.
a. ("---" means that no data are available). Source: U.S. Dept. of Labor, Monthly Labor Review, Vol.55, #5, Nov.1942, p.986.

-- district, regional and interregional -- amounted to 105 million dollars. The total cost of goods produced by the wholesale and the central cooperative associations exceeded 14 million dollars in 1941. For the same year the total earnings of the cooperative wholesales amounted to $4,750, 000, ~~000~~ (of this $3,680,000, ~~000~~ was declared in refunds on patronage).

Geographically, cooperative store associations are found in every state in the Union except Nevada. They are found in greatest numbers in the Middle West. From the point of view of number of store associations the leading states are Minnesota, Wisconsin and Michigan. Smaller but constantly growing development of cooperation is observed in New England, the Middle Atlantic States and the Pacific Coast States.

According to the most recent data of the Cooperative League of the United States, the central national federation of consumer cooperatives in this country, the total membership of consumer cooperatives ~~exceeds at present~~ was two and a half million in September 1942. Taking a 4-member family as an average, this constitutes about seven and half percent of the country's population. Together with membership of farmers marketing and purchasing cooperatives, the corresponding figure will be over 18 percent, although a certain allowance for duplication should be made.

In comparison with many foreign countries the consumers' cooperation in this country is still undeveloped, -- both from the point of view of membership as well as business. 1/ What is, however, very important is the rapid

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1/ In Scotland, for instance, according to the report of Neil S. Beaton, President of the Scottish Cooperative Wholesale Society, delivered in this Department last December, 48 percent of the population were members of consumers cooperatives in 1942. In England about 45 percent of the population is affiliated with cooperative enterprise. More than one family in every three buys from cooperatives in Sweden.

and ever increasing growth of consumer cooperatives in the United States. In 1937, the chairman of the United States, "Inquiry on Cooperative Enterprise in Europe" reported to the President, that in this country "the volume of consumer cooperative enterprise has multiplied fivefold in the last 5 years". According to the Bureau of Labor Statistics the identical associations reporting both for 1940 and 1941, showed an increase of about 23 percent in business and over 7 percent in membership. The net earnings of cooperative wholesales were 6.9 percent in 1941 as compared with 2.7 percent in 1940. Their total assets increased 34.4 percent during the year. In many cases the preliminary reports for 1942, according to the information released by the Cooperative League of the United States in Januray 1943, show the greatest increase of the business in cooperative history. The following examples may serve as illustrations:

Sales of $456,000 of the grocery department of the Midland Cooperative Wholesale Minneapolis, serving 180 local cooperatives showed a 46 percent increase over 1941. Its food purchases increased from $128,000 for the first six months of 1941 to $210,000 for the same period of 1942, -- an increase of 64 percent. When the food program began in 1939, the Midland Wholesale served 19 cooperative stores. In 1942, it served 60.

The pre-audit volume of the Pennsylvania Cooperative Wholesale showed an increase of 52 percent over its record-breaking sales of $3,400,000 in 1941. The $12,900,000 business of the Ohio Farm Bureau Cooperative Association in Columbus and the $2,763,000 business of the Eastern Wholesale in Brooklyn, New York, serving 230 cooperatives, showed increases in sales

of 25 percent and 31 percent respectively. In the case of the latter wholesale, the volume of business during 1942 was just under ten times the volume in 1936.

The $9,885,198 wholesale volume for Consumers Cooperative Association in North Kansas City, owned by 500 local coops, showed a 36 percent gain in business. Consumers Cooperative Associated with headquarters in Amarillo, Texas, reported that at the end of the first 11 months of 1942 its volume of business was 50 percent higher than for the same period in 1941 in which its business of just under $1,000,000 was almost 5 times that of the preceding year. The value of goods produced in the Association's own factories exceeded $2,700,000 for 12 months ending August 31, 1942.

Of course, even with all these increases, the consumers cooperatives' business is relatively small in this country, when compared with the total amount of trade or with corresponding figures in foreign countries. For instance, in 1936-37 in many European countries consumers cooperatives accounted for substantial portions of the total retail business: 12 percent in Great Britain 1/, 10 percent in Sweden, 25 percent to 30 percent in Finland, 10 percent to 12 percent in Switzerland. The Danish Societies controlled 17 to 20 percent of the trade in articles dealt in by cooperatives. However, the rapid and most spectacular growth of consumer cooperatives in the field of the retail trade in the United States cannot be denied.

1/ The following figures for England and Wales show the extent of interest of consumer cooperative enterprise in imports of farm products in percentage of national trade in 1936: butter - 23.8; cheese - 21.6; wheat and flour - 14.8; bacon and ham - 13.6. In Scotland approximately 50 percent of milk was handled under a cooperative milk-marketing scheme.

In view of the lack of statistical data it would be a rather hazardous undertaking to estimate what percentage of the total cooperative distribution in this country represents cooperative distribution of foodstuffs. It should be borne in mind that cooperatives do not constitute a definite line of business and, as a rule, are not organized for the purpose of operating a line of a definite combination of merchandise. In its embryonic state a cooperative store already shows characteristics of a department store. In 1942, for instance, the Midland Cooperative Wholesale inaugurated "the six foot cooperative grocery shelf" used in more than sixty oil cooperatives. The Farmers Union Central Exchange, St. Paul, Minnesota, which has previously handled only petroleum products, automobile goods and farm supplies, has entered recently the field of distributing Co-op labelled merchandise on a wholesale basis to its local member-cooperatives.

In order to estimate roughly, one may divide cooperatives into three groups:

1. The food-store cooperatives largely serving urban communities.
2. The general store cooperatives dealing in miscellaneous merchandise, including foods, and located usually in small towns or rural localities.
3. The cooperatives organized among farmers chiefly for the joint purchasing of agricultural supplies (retail distributive departments of farmers' marketing associations).

The urban cooperatives tend to emphasize foods heavily, also the country general store coops do a large business in foodstuffs. As a rule, the members of coops, if successful in handling one line of merchandise, are

inclined to branch out into other lines. Many coops having started with the dairy business went into groceries, while the other coops reversed the process. The cooperative at Maynard, Massachusetts, for instance, has added to a milk pasteurizing, bottling and delivery business, a fuel business and a filling station. It may be roughly estimated that about 40 to 50 percent of the business of the group "stores and buying clubs", as referred to in the tables attached, was in foodstuffs. In case of "other distributive associations" this percentage may be raised to 75, while in case of retail distributive departments of farmers marketing associations, sales in food constituted probably not more than 10 percent. In an attempt to analyze the possible role of consumers coops in any program of savings in food trade the final aims of these organizations should be first of all taken into consideration. These may be summarized as follows:

1. To reduce costs of retailing with advantages accruing to consumers.

2. To control, eventually to decrease, prices.

3. To promote thrift and family budgeting and, thus, increase economic security of the members of cooperatives.

4. To educate the consumer in intelligent buying.

5. To promote economic democracy, in addition to political democracy, by widely diffused ownership of democratically controlled business enterprises (one member -- one vote, irrespective of the capital invested).

6. To contribute to the solution of the "producer-consumer" problem by establishing joint enterprises and direct relations between producers and consumers.

Within the scope of study of possible reductions in the costs of food distribution the first four aims fall into the catagory of "Social-engineering" aspects of food distribution. The last two may be considered only in light of transfer of advantages between different economic groups, that is between producer, middleman, and consumer, eventually also labor, insofar as maintaining high labor standards constitutes one of the traditions of the consumer cooperation, elevated often to the degree of a principle.

II BUSINESS EFFICIENCY OF CONSUMER COOPERATIVES

There cannot be a question that the spectacular development of consumer cooperatives would not have been possible if they had not been able to compete successfully with private business or at least to operate with the same degree of efficiency as private trade. More than that, it is a well established fact that in a number of countries, cooperatives added considerably to the general improvement of the technique of distribution.
The governor of the State Bank of Finland, interviewed by the members of the United States, "Inquiry on Cooperative Enterprise in Europe" (1936) stated, for instance, that private trade in Finland has grown at about the same rate as coop trade, after the former "learned the lesson" from cooperatives and reorganized on an efficient basis. An identical statement was made by the director of the State Bank of Denmark. It is generally known that in Sweden, cooperatives have improved the level of retail business efficiency. Swedish newly established chain stores adopted methods which the cooperatives introduced.

In Switzerland, to compete with coops, a few private chain-store systems in Basle were forced to establish a practice of pooling their orders for wholesale buying. In general, in many European countries, the cooperatives are credited with leadership in "rationalizing" the retail business and introducing modern methods.

In 1935, the International Cooperative Alliance sponsored a thorough survey of the costs of retail distribution of groceries and foodstuffs in cooperative and private stores in England, Germany, Sweden, Denmark, Norway, Switzerland and Hungary. Comparisons of efficiency were made separately with chain and independent stores, and supplemented with data from American grocery chains. Broadly interpreted, the survey revealed that in all of the countries cooperatives were on a par even with the private chain store system, while the profits of the latter were shared by the members of coops in the form of patronage refunds. The following Table 6 illustrates, in percentages of value of sales, the results obtained from the survey 1/:

Table 6

Countries		Private trade		Cooperative trade total costs
		Gross margin	Total costs	
England:	Independent stores	15.00	10.00	13.50
	Chain stores	20.00	17.00	13.50
Germany:	Independent stores	21.70	---	13.04
	Chain stores	22.50	---	13.04
Sweden (Stockholm)		16.20	12.30	12.60
Denmark (Copenhagen)		20.50	12.70	15.40
Norway		14.20	10.70	10.60
Switzerland		18.64	14.47	12.85
Hungary		16.40	13.00	13.70

1/ In interpreting the data one should keep in mind that when a commodity is bought at a private store, the consumer's price includes not only costs but also the profits of the entrepreneur, while in a cooperative the equivalent of the profit is returned in the form of a consumer's refund.

The report summarizes the findings as follows: "The margin of costs in cooperative stores compares favorably with that of private stores in those countries where such comparison can be made on the basis of objective data. In practically all countries the capitalist type of enterprise have an average gross margin of 18 to 21 percent, while the cooperative enterprise have a total margin of costs of 12 to 13 percent. The persistence of this relationship in spite of considerable differences in economic conditions.... shows that certain major factors are obviously in operation in practically all countries which contribute to the maintenance of the spread between the margin of costs in capitalist and cooperative enterprises to a definite percentage amounting to 6 to 8 percent."

Using the definition of scientific management by Dr. Harlow Person, American exponent of scientific organization, Mr. Vasarla, managing director of one of the biggest cooperative wholesales in Finland, stated: "Rationalization is inherent in the very nature of cooperation..... Cooperation is rationalization (of distribution)".

The Royal Commission appointed in Great Britain to inquire into the economic position of the coal industry in 1925 reported: "....the expenditure of the retail merchangs on establishment and clerical salaries is excessive; if all the retail trade in London could in these respects be conducted as economically as that of the Cooperative Society whose accounts have been examined, a very substantial margin would be available, either for reducing prices to the consumer or for increasing prices to the colliery, and so increasing wages to the miner."

In 1926 a few inquiries were undertaken in Great Britain for the purpose of finding remedies on solutions for the crisis. The reports of the Royal Commission on Food Prices contain information which throw some light on the comparative cost of the services rendered by private traders and by consumers' cooperative societies. The findings were in favor of cooperatives.

In the United States, the Bureau of Business Research, Harvard University, undertook a study of margins, expenses, and profits of consumer cooperatives in 1939. Very careful adjustments were made to secure comparability of the data with those on private enterprise, on chain stores in particular. 1/ In the case of the study of costs of 42 cooperative retail food stores (in 31 of them 35 percent of sales were on meat), the report summarized the findings as follows:

> ....."The cooperatives apparently have not cut the rate of gross margin below that essentially typical for independent stores..... Salary and wage costs for the cooperatives appear to have been somewhat lower than those for privately owned stores, and the same is true for advertising expense in percentage..... Speaking in general terms, it appears that either that the cooperative form of organization does not lead to conspicuous advantage in operating efficiency, or that the cooperatives by 1937 had not gotten themselves organized to the point where such advantages had become evident... This does not mean that cooperatives cannot give better values than privately owned businesses; but it indicates that such better values, if given, probably must reflect: (a) advantages secured in wholesaling or in manufacture, possibly through private branding coupled with a scrupulous regard, in product specifications, in labelling, and in pricing, for the interest of consumers; and (b) a distribution of retail profits."

1/ For instance, educational activities of cooperatives result in some expenditures similar to sales promotion of private enterprise; they may be considered, therefore, as part of the business expense. A certain part of them, however, should be treated as a disposition of profit, etc.

The other report of the Harvard Bureau of Business Research, however, based on the study of 47 cooperatives operating general stores, is much more favorable in regard to cooperatives, and states directly:

> ".....Whatever the reason, cooperatives may have introduced some economies in retail distribution. Although the cooperative stores did not have lower percentage occupancy costs than privately owned stores of similar character, they did have conspicuously lower costs for pay roll, advertising, miscellaneous expense, and total expense. Moreover, although their net profits were sufficiently large to suggest the possibility of their accumulating ample reserves, their rates of gross margin were distinctly lower than those for the privately owned firms."

The United States Bureau of Labor Statistics recently made an attempt to compare operating ratios of cooperatives with those of private business. The findings are given in Table 7.

Table 7.- Operating expenses of cooperative food and general stores in percent of net sales, 1941

	Food stores	General stores
Gross margin 1/	16.52	17.72
Expenses:		
Wages, salaries, commissions	7.74	7.84
Advertising	.27	.27
Wrappings, drums, and miscellaneous selling expense	.51	.56
Trucks and delivery	.23	.52
Rent	1.01	.28
Light, heat, power, water	.64	.61
Insurance and bonds	.32	.39
Taxes (including pay-roll taxes) and licenses	.59	.66
Interest on borrowed money	.07	.11
Office supplies and postage	.11	.15
Telephone and telegraph	.18	.11
Repairs	.22	.36
Depreciation	.79	.86
Bad debts and collection expense	.35	.08
Inventory, audit, tax expense	.16	.16
Warehouse and plant expense	.01	.05
Directors' fees and expenses	.05	.08
Travel	.02	.05
Education and publicity	.12	.10
Meetings, membership dues, and subscriptions	.02	.01
Other	.37	.27
Total	13.79	13.53
Net margin on operations 1/	2.73	4.19

1/ Does not include patronage refunds from cooperative wholesales.

Data from a Dun & Bradstreet survey of private retailers, covering only profitable enterprises in the year 1939 were compared with the above data received by the Bureau from its 1941 survey and covering all cooperatives regardless of their net operating results. The following table gives some of the findings:

Table 8.- Comparative margins and expenses of cooperative and private business in percent of net sales

Line of business	Gross margin		Total expense		Net margin		Advertising		Bad debts	
	Private	Cooperative	Private	Cooperative	Private	Cooperative	Private	Cooperative	Private	Cooperative
Groceries only- - - -	18.9		15.5		3.4		0.5		0.4	
Groceries and meat- -	20.0		16.5		3.5		.5		.5	
Groceries and filling		16.5		13.8		2.7		0.3		0.3
stations- - - - - -	18.7		14.7		4.0		.3		.5	
Meat only - - - - - -	24.2		20.9		3.3		.3		.3	
Country general stores	19.9	17.7	14.6	13.5	5.3	4.2	.4	.3	.7	.1

The table shows that according to the latest available official data on consumer cooperatives, in this country dealing in foodstuffs the cooperative enterprise is operating on narrower gross margins and has lower operating expenses than private distributive business. This leads to the conclusion that within the scope of any program of savings in food distribution, the cooperative enterprise, as such may be considered an effective instrument for reducing waste and making savings in the process of distribution.

In analyzing various factors contributing to the efficiency of cooperative trade the following aspects of consumer cooperation should be considered:

1. Cooperative Buying.- The cooperative enterprise has the advantage of cooperative buying. This advantage lies in the fact that in order to secure successful cooperative buying, it is necessary to determine requirements in advance. In other words, it is necessary to plan. And under any purchasing system, planning is an asset. Through cooperative buying cooperatives are able to secure, through cooperative wholesales, the advantage of volume purchasing. This is of special importance for cooperatives located in smaller communities. In turn, cooperative buying makes it possible, for cooperative wholesales to make adjustments in matters of standardization and planning.

2. "Cooperative area economy".- Experience with cooperatives in countries where the cooperative movement is mature indicates that cooperatives make it possible to develop a "cooperative area economy" and eliminate unnecessary transportation and cross-hauling of agricultural commodities. The Studies of the Twentieth Century Fund revealed that out of the distribution dollar, an average of 23 cents represents the cost of transportation. The largest costs are not on the road but at the ends of the run. One leading railroad discovered that for many classes of goods, notably merchandise in less than railroad lots, terminal and transfer expenses amounted to three-fourths of the total cost, whereas the actual freight charge amounted to only one-fourth of the cost.

The simplest working out of ~~such~~ the "cooperative area economy" is found in Ireland, where cooperative dairies are developing into general purpose societies. In such societies the farmer delivers his milk, eggs, poultry, or pigs to

the same central depot and obtains in exchange farm supplies or family commodities from the society's store. Under these conditions the local district cooperative association becomes a center for clearing local trade in the agricultural products of the region.

In Finland, the development of regional cooperative economy makes it possible sometimes to complete 35 percent of all business of consumer cooperatives locally, by bringing the producer and consumer together and eliminating wasteful transportation.

In this country, in rural areas an efficient development of distributive functions of the retail distributive departments of farmers marketing associations could contribute to the development of a "cooperative area economy" and savings on unnecessary cross-hauling of agricultural products.

3. Volume of goods sold per employee.- Volume of goods sold per employee is usually considerably greater in a cooperative than in a private store. In Basel, the annual turn-over per cooperative employee of the Swiss Cooperative Union averages 42,500 francs as against 20,000 francs in private retail stores. In England, according to the report of the United States "Cooperative enterprise in Europe", 1937, a cooperative store can handle £ 1,000 of trade a week with 8 shop assistants, while a private store would need 20. Turn-over per employee in the cooperative stores in Sweden is 50 percent greater than in private trade. Of 1,500 associations in this country reporting on this point to the Bureau of Labor Statistics 16 percent had all or part of the store on a self-service basis.

4. Amount of business.- Annual business of the average cooperative store is considerably higher than that of the typical private retailer.

Comparison of the data for cooperatives obtained by the Bureau of Labor Statistics' survey of cooperatives in 1941 with the data of the United States Bureau of the Census for retail trade in 1939, reveals that in the case of food stores only 1.0 percent of private retailers had annual sales over $100,000; 3.1 percent had between $50,000 and $100,000; and 34.6 percent between $10,000 and $50,000. The corresponding figures for cooperatives were 15.2, 14.8 and 48.3 percent respectively. Sixty one and three-tenths percent of private retail food stores had annual business under $10,000, while only 21.7 percent of cooperative food stores belonged to this group. To summarize, 78.3 percent of cooperative food stores had an annual business of over $10,000, while 61.3 percent of retailers had annual business below $10,000.

In the case of general stores the comparative figures for private retailers and cooperatives were as follows:

	Cooperatives	Private retailers
Annual business of $100,000 and over - - -	34.4	2.3
" " from $50,000 to $100,000 -	27.0	5.6
" " " $10,000 to $50,000 - -	34.8	43.7
" " under $10,000 - - - - - -	3.8	48.4

In the case of dairy and bakery products, 20 percent of cooperatives had an annual business between one and five million dollars; 20 percent between $100,000 and $250,000; 20 percent between $25,000 and $50,000; and the remaining 40 percent between $10,000 and $40,000.

5. Advertising.- Smaller advertising expenditures are a cost factor in favor of cooperatives. They depend for their trade on the loyalty of

members and the price and quality reputation of cooperative goods rather than on advertising. It is true, that funds set aside for education serve to some extent the purpose of advertising. This is, however, a question of the disposition of the profits of the cooperative enterprise and not that of operating expenses.

6. Operating capital.- The interest rate on necessary capital is low in the case of cooperative enterprise, the capital being supplied in large measure by the members themselves.

7. Cooperative production.- In as far as cooperative wholesales go into manufacturing, when convinced that prices are being held at artificially high levels, cooperatives provide a voluntary and spontaneous basis for planned production. The latter can be geared to organized demand which is not characteristically speculative. This tends to stabilize cooperative business and increase its efficiency.

8. Selling for cash.- As a result of the cooperative principle of selling for cash, credit losses in cooperatives are negligible, and contribute to the reduction of operating costs. It's true that in this country, the consumer's credit record is very good in general. The United States Department of Commerce estimated that the bad debt loss of retailers on their open credit sales amounted to less than half of one percent of such sales in 1936. The losses on instalment sales were higher, but even these amounted to only a little more than one percent of sales, and yet, they constitute one of the wastes in the distribution system. Any real effort to reduce them in private trade would involve other costs, such as more expensive investigation of prospects, and possible loss of sales.

9. Stability.- Experience shows that the cooperative business is more stable and withstands business cycles better than private enterprise. The British authorities state that during the last pre-war depression in Great Britain, cooperatives were the only business that did not go to the government for aid.

III. COOPERATIVE PRICES

In comparing the prices of commodities distributed by cooperatives with the prices charged for the same articles by private traders one should keep in mind that:

1. While the object of distributive cooperative societies is to render the best service to their members at the lowest cost, the method which they have chosen for attaining this object does not consist in systematically charging lower prices than those of private trade. On the contrary, they have adopted the principle of selling at prices approaching the ones prevailing on the market in which they operate. Accordingly, any comparisons of cooperative prices with those in private trade should always be subject to adjustment by the amount of refunds distributed to the members of cooperatives in proportion to their purchases.

2. Attributing to the cooperative enterprise a role of "regulator of prices", the theory of consumer cooperation advocates the adoption of prices very appreciably lower than those of private trade whenever and wherever this appears necessary in order to restrain an excessive or too rapid rise. It is assumed that if the cooperatives are sufficiently strong private

enterprise would be compelled to follow the example and to reestablish a certain approximation in the level of prices.

Cooperative prices, established on this basis have a constant and increasing tendency to bring the prices charged by private trade down to the actual cost of doing business efficiently. Thus, cooperatives establish a competitive price yardstick which competing business must meet. They effect prices even in lines of trade where they themselves are not active: the mere fact that they may extend, if prices are excessive, is sufficient in countries with strongly developed cooperatives, making government interference with private business unnecessary. This feature is extremely important in these times when all kinds of black markets are flourishing. Consumer cooperatives cannot lend themselves to racketeering practices by virture of their economic nature. Cooperators sell to themselves and, therefore, the element of profit, foundation of "Foodlegging", cannot be an incentive for them.

The influence of cooperatives on the level of prices is so well known, that it would be superfluous to analyze in details the numerous data collected to this end by the International Labor Office, the International Cooperative Alliance, and other highly authoritative institutions . A few illustrations may be, however, appropriate.

The index number of the cost of living in Hamburg in June and July 1926, as ascertained by the Statistical Office, was 150.88 and 148.86 respectively. It was, however, 140.35 and 138.86, respectively, for the members of the famous "Hamburger Production" cooperative association. It is worthy to mention that the index number of living prepared by the Swiss Union of

Consumers' Cooperative Societies on the basis of cooperative prices, is regarded usually as the official index number of the country used in firing wages.

The following table gives findings of the International Labor Office in regard to prices of meat charged in the private butchers' shops and in Cooperative Society of Kiskunhalas, Hungary, in 1925, at the time when the cooperative association opened its shops and 6 months later (price of a kilogram of meat in thousands of Hungarian crowns):

Table 9

	February 1925		August 1925	
	Private butchers	Cooperatives	Private butchers	Cooperatives
Beef	28	20	18	20
Veal	32	20	22	26
Mutton	28	20	18	20
Pork	32	24	26	30

The table shows that the cooperative society from the first charged prices considerably lower than those of the butchers, and the latter were compelled to reduce their prices 20 percent on an average. Even after this reduction, the prices of the cooperative society were still lower than those of the butchers. 1/

The following experiment was made by the Departmental Cooperative Society of the Orne in Normandy, France. The prices of 25 or 30 articles of current

1/ International Labor Office. International Economic Conference, May 4th, 1927. Documentation, pp. 16-17.

consumption were noted on the same day in two localities at small grocers' shops, at multiple stores, and at a large grocery establishment belonging to a Parisian firm. The operation was carried out for the first time on August 28, when the cooperative society was opened; it was renewed on two other occasions at intervals of several months. On August 28, before the cooperative could exercise any influence, the difference between the prices was 31 percent in favor of the cooperative. Five months later it was 22 percent. By July of the next year the difference was only 11 percent still in favor of the cooperative society. 1/

The Swedish "Government's Enquiry respective to the Profits of Middlemen in the Food Trade" reported: "..... It is clear that consumers' cooperation offers a vigorous defense against the tendencies of private trade to combine in order to keep up prices artificially. Many examples could be mentioned where large organizations of shopkeepers have been forced by the cooperative society to pull down their prices - an act which the association between them otherwise would have prevented." 2/

Unfortunately, no official inquiries into the field under consideration have ever been made in this country on the scale sufficiently large to substantiate any final conclusions in regard to comparative prices charged by cooperatives and private trade. 3/ The available findings in favor of cooperatives made by the local organizations hardly can provide a safe basis for final conclusions. It is generally admitted that the chain stores

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1/ "Le Peuple". January 30, 1921. Paris.

2/ ~~Op. cit. p. 21.~~ INTERNATIONAL LABOR OFFICE. Op. cit. p. 21.

3/ At least, no such inquiries are known to the authorities of the Bureau of Labor statistics.

have introduced in the United States most of the efficiencies of modern methods which cooperatives brought to Europe. The high degree of efficiency and bulk buying of the chain stores give the American cooperatives tough competition. It is recognized that consumer cooperatives have broken the monopoly price ring on commercial fertilizer prices in several states. "Co-op" insurance has become a yardstick in auto, fire, and life insurance. However, the prices charged by the best chain stores in the field of consumer goods, and foodstuffs in particular, should probably still be considered as a yardstick for cooperatives. One may only say with safety that in this country cooperative prices are as low as those of the chain stores.

At the same time numerous findings of the consumers union of the United States may substantiate the claim of American cooperators that for the same amount of money the patrons of cooperatives receive products of better quality and often in greater quantity. The local studies often suggest that while on highly-competitive items such as, for instance, evaporated milk and sugar, prices are generally exactly the same, on better quality merchandise the cooperatives may do a little better.

Numerous studies were made on an international scale to observe the relative rapidity with which the prices in cooperative societies and those in private trade adapt themselves to continuous rise of prices during the periods of such rising prices. The findings were always in favor of cooperatives whose reaction toward the general rise of prices proved to be always slower than that of private trade. There is no justification to believe that the

situation in this regard in the United States may cause any deviations from the general rule. In the light of the current constant increase in prices for commodities on which ceilings have not yet been established, this circumstance may be of considerable importance, the cooperative enterprise eventually assuming a role of a factor tending to stabilize prices, or, at least to slow down their further increase.

IV. COOPERATIVES AND CONSUMERS' THRIFT

Consumer cooperatives are not interested in overspending on the part of their members, but rather in helping them to build up a sound family economy. It has been found that in this country the average price of credit based on personal property comes to about 14 cents a year. 1/ The emphasis on cash business, which is one of the basic Rochdale principles results in a saving for members of cooperatives. It urges them also to purchase with discrimination. In the present economy of scarcity when reduction of consumer purchases is urged, especially in foodstuffs, the policy of cooperatives to encourage thrift represents an important future.

V. EDUCATION OF THE CONSUMER

Lack of proper knowledge of commodities' costs among the buyers, unreasonable demands and abusing the returned goods privilege are among the many items contributing to excessive cost of distribution. According to the studies of The Twentieth Century Fund, abusing the returned goods privilege reaches such an extent in department stores that returns and allowances, on the average, amount to one day's sales out of eight. According to the findings of a survey made in Washington, 48 percent of the women interviewed

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1/ T. R. Carskadon. Fifty nine cents of your $1.00.- The cost of Distribution. p. 13 (The data are based on studies made by The Twentieth Century Fund, 1939).

reported frankly that they themselves were at fault when goods were returned. 1/ In other words in 48 percent of the returns a vast amount of extra work and expense for the store originated in the lack of proper education in the buying habits of the customer.

Education of members constitutes one of the cooperative principles contributing to the efficiency of cooperatives, cooperative business and cooperative education being considered interdependent. 2/ In the case of private business, the consumer knows that his information comes either from the maker or the seller who, both, naturally are eager to put the best possible light on the article they are trying to sell. In the case of cooperatives, patrons know that there is no incentive for their stores to misrepresent the quality or quantity of the goods, which, they sell actually to themselves.

Cooperative testing and appraising of consumer goods, introducing of special cooperative brands, providing information about quality, standards, and grades of goods, are some of the steps taken by cooperatives, to enable their patrons to get better value for their money. In this country, cooperative food stores pioneered in the use of government ABC grade labeling. In items not yet covered by government grade labeling they put Co-op grades 1, 2 and 3 indicating standard quality from cost to cost. Cooperatives recently instituted a balanced diet campaign to popularize the use of nutrition information. Cooperative testing kitchens in Brooklyn, New York, and Superior, Wisconsin, test each product that is offered to the cooperative wholesales.

1/ Op. cit. p. 20.

2/ Newspapers and magazines published by consumer cooperatives throughout the country now have a circulation hovering near the million mark.

VI. COOPERATIVES AND GOVERNMENTAL CONTROL OF DISTRIBUTION

It would be a truism to say that no governmental action directed toward savings and elimination of waste in distribution will be successful without the cooperation of the masses, that is without the cooperation of the consumer at large. Numerous measures are being taken these days to secure this cooperation. Probably one of the main difficulties of solving the problem is to establish a proper and organized machinery by means of which the consumer could be reached directly, on one hand, and, on the other hand, through which the consumer himself could make effective his willingness to cooperate.

Although cooperatives cannot be considered in this regard a panacea, they may represent for the Government an appropriate machinery for securing the necessary participation of consumers in a program of rationalization of distributive methods. It is easier to promote efficiency in distribution among groups of consumers organized in cooperatives then to deal with individual unorganized buyers. Cooperatives provide a channel through which the government may plan and control distribution with the minimum of direct regulations and policing, and without a special staff of officers enforcing these regulations: cooperators sell to themselves and have no economic incentive not to follow governmental advise directed toward savings in distribution 1/. Cooperatives may be the mainspring of the machinery for organizing, regulating, and supervising a rational distribution in general, and at time of war in particular.

1/ During the last few years the following national organizations endorsed consumer cooperatives officially: The National Farmers Union, Farm Bureau Federation, the National Catholic Rural Life Conference, the Federal Council of Churches of Christ in America, the Central Conference of American Rabbis, American Federation of Labor, Congress of Industrial Organizations, the Railroad Brotherhoods, the Grange, The National Education Association, the Progressive Education Association.

For this reason, in the countries where the cooperative movement reached a very high degree of development, the public authorities, instead of creating new institutions to control the market, have thought it better to utilize directly the existing cooperative organizations and call upon them to play a part in new programs. In old Austria, the Union of Agricultural Cooperative Societies of Lower Austria had the exclusive right to import rye under the supervision of a special commissioner. In Switzerland, the cooperative Central Milk Producers' Union is the body through which state intervention in the regulation and organization of the market in milk and dairy products is effected. In Crete, the Union of Producers' Cooperative Societies was required to collect and export fruit. In Hungary, the cooperative organizations were required to undertake the purchase and export of cereals as mandatories of the Foreign Trade Office. In France, cooperatives for years have had representation in the National Economic Council and other advisory extraparliamentary bodies for economic planning created by the government before this war. Later appointment of an official consumers' cooperative representative to a place on the board of directors of the Bank of France indicates that the pre-war Government of France was counting on the cooperative movement in its attempts to prevent further increases in prices of consumers' goods.

In Denmark, control of bacon production was placed by the government entirely in the hands of the farm cooperatives, which relieved the government of a difficult task. The Chamberlain Cabinet in Great Britain included the cooperatives in councils formulating national policies of the country. In

Norway, the Cooperative Central Office was required to carry out all the measures prescribed by the public authorities regarding the pork and mutton industries.

A considerable number of cases may be quoted in which the governments abroad have recognized the importance of consumer cooperatives by encouraging and utilizing them. It may be argued, however, that there is no justification for this country to follow a similar pattern of action in view of the high efficiency of our private trade. Undoubtedly the efficiency of organization of distribution before the war, in our economy of plenty, was the main cause of the fact that consumer cooperatives became known in this country relatively late. The question is, however, whether the same machinery of private trade can work equally efficiently in the time of the present economy of scarcity without a broad collaboration on the part of the buyer.

In his report to the National Food and Grocery Conference Committee, Hector Lazo stated:

> "Today, producers, processors and distributors are organized so that in approximately 48 hours it is possible to make actual contact with from 80 percent to 90 percent of the productive forces of the nation.... Thus, it is possible by contacting less than 15 association executives, to set in motion the machinery to reach in a few hours the entire organized productive and distributive force of the vast food industry." 1/

The same author, however, admits later that (op. cit., p. 25): "An aroused public opinion would undoubtedly be much more effective in the control of artificially high prices than any economic theory, whether known or united."

As stated, working with unorganized consumers creates great technical difficulties. Approaching the abstract consumer organized through "Consumer organizations", "Consumer councils", etc. inevitably leads to raising

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1/ Hector Lazo. Price Inflation and Price Controls in the Food Industry. 1941. p. 12.

controversial issues of protection of consumer interests versus those of producers and middlemen. Only dealing with the business machinery of consumers cooperatives may reduce the problem of securing the cooperation of the consumer,-prerequisite for success of any program of savings and elimination of waste, - to its social - engineering basis.

The efficiency and costs of cooperative distribution, cooperative prices, thrift - as promoted by cooperatives - and active participation of the consumer belong, as it was already stated, to the catagory of "social-engineering" aims of consumer cooperation and were analyzed above as such in comparison with private distributing enterprise. It was also stated that the other two characteristics of consumers cooperatives - their aim to establish direct producer-consumer relations and to promote economic democracy - belong to the catagory of problems which may be considered in the light of a transfer of advantages between different economic groups rather than in the light of their direct bearing on savings of labor, material or transportation operations. Within a study of possible eliminations of waste in distribution probably only eventual economy in labor - insofar as it could be saved for the direct war effort, economy in materials - insofar as the latter could be used for direct war production, and reduction in transportation operations - insofar as transportation facilities are found to be inadequate for war shipments - could be considered as immediate and direct "savings" in the strict meaning of this word. At the same time one should bear in mind that within a large-scale program of rationalization of trade, no measure can be accepted only by virtue of being immediately effective. The whole problem of distribution is so

involved and its various aspects are interdependent to such a degree that certain over-all evaluation and examination of a social nature is also essential. A different approach would simply mean underestimating the importance of planning and coordination in war economy. Technically the best measures are not necessarily the optional and the trees of immediate and direct savings in distribution planted according to all the rules of the science of forestry, still may not grow up into a forest of well coordinated and rational procedures of distribution. The foregoing analysis of the characteristics of cooperatives and their adaptability to serve in time of war economy must be, therefore, re-examined in the light of their far reaching aims, even if the latter cannot call for or suggest any immediate action.

VII. PRODUCER-CONSUMER RELATIONS

Farmer and consumer are traditionally considered as natural enemies divided into two opposing groups by virtue of the distributive process itself: the former is interested in obtaining a maximum price for his products, the latter in obtaining these products at minimum cost. The vested interests of those who profit from this clash of aims attribute to it the characteristics of an inevidable and natural status of affairs, pointing out that the farmer is always inclined to think of himself as a producer first.

At a time when the war effort requires all the nation to be united in its pursuit of the common goal, nothing can be more dangerous than building such economic and class barriers. The best social-engineering program of rationalizing distribution can bring no fruitful results for the nation

if one group of the population will accept it as only a means to further its own interests. There cannot be a question that within the free democratic state each economic and social group must have the prerogative to organize separately for the protection of its interests. Insofar as, the distribution, is the concern of all, it is highly advisable to have a mutual economic enterprise which could be joined by all conflicting groups.

In this regard, "consumer" is probably the only known common denominator of economic interests and the consumer cooperatives - the only tested formula of this common denominator.

In the final analysis, the absolute price the farmer receives for his products is of small consequence to him. According to an article appearing in the October, 1937 issue of "Fortune", and "supported by the United States Department of Agriculture", 1/the farmer spends 30 percent more for his family than he spends for his farm. His furnishings take more than twice as much as farm buildings and repairs, and for medical and dental care he spends three times as much as for spray materials, containers, and twine.

"Half of the farm problem is in the city", stated Vice-president Wallace. In 1939, M. D. Lincoln, former general manager of the Ohio Farm Bureau Cooperative Association, at present President of the Cooperative League of the United States, estimated 2/ that on a three percent patronage dividend basis, farmers of this country could save about $17,100,000 yearly

1/Quoted from: M. D. Lincoln. Producer-Consumer Relations. p. 10. An address delivered before the National Rural Forum, published in "Rural America", April, 1939.
2/Op. cit. pp. 10-11.

if they purchased household goods through existing cooperative purchasing organizations. If we assume further a ten percent decrease in general price level due to cooperative action, there would be a further saving of $57,000,000 or a total saving of $74,100,000. It would be difficult to estimate what part of this amount would be the farmer's savings on foodstuffs. Taking, however, into consideration the highly specialized farming in this country, these savings could be very high.

In Sweden 20 percent of the consumer cooperatives' members derive their living from agriculture. The Swedish Milk Central at Malmo" could serve as a good illustration of fruitful collaboration between the farmer and the consumer. The members of this enterprise are, on the one side, the consumer cooperative society "Solidar," which represents the milk consumers, and, on the other side, the milk producers in Malmö# and district, and their dairies. The two parties have an equal number of representatives upon the Board of Directors. The economic saving arising out of the Milk Central's work is divided into three parts: the producer and consumer groups receive their equal shares in the form of additional payments and rebates at the end of the year upon supplies and purchases respectively, and the third portion is allocated to the funds of the enterprise and thereby to the general goal. ¶ Special agreements between the Swedish central organization of consumers' cooperatives,"Kooperativa Forbundet", and the Dairy, Slaughtery, and Egg Associations, and the Farmers Wholesale, lay down lines of demarcation and of economic collaboration.

In Switzerland, in 1932 an agreement was reached between the federation of Swiss Consumers' Societies (V.S.K.) and the Federation of Agricultural

Societies of Eastern Switzerland (V.O.L.G.), specifying that V.S.K. was to purchase agricultural products as far as possible from V.O.L.G.'s marketing division, and that V.O.L.G. was to give preference to V.S.K.'s wholesaling and production plants in the purchase of consumers' goods, such as coffee, sugar, etc. Both federations were to purchase jointly whenever possible. Both also agreed not to enter into competition with each other in the same territory.

In Geneva, farmers' and consumers' cooperatives had complete and duplicate milk distributing systems from the local village milk station through the processing plant to the consumer. The problem of competition was solved by creating a new milk distributing company. Both farmers' and consumers' cooperatives turned their milk processing and distributing facilities over to this new company, which buys its milk from the farmers' cooperatives exclusively. Each owns 50 percent of the stock in the milk company.

In Czechoslovakia, the farmers' "Cooperativa" was delivering goods to the central wholesale of consumers cooperatives and vice versa. In order to secure the marketing and sale of butter and to regulate the retail milk market, the Czechoslovak Cattle Association was set up by the Government. The law establishing this association stipulated that it should be made up of the "Centracooperativa" representing agricultural interests, the Central Organization of Cooperative Unions to represent consumers, the Union of Cattle Trade Organizations for the cattle merchants, the Cooperative Dairies Trading Co., and the Union of Traders in Dairy Products.

The well known Herts and Bets Bacon Factory was owned jointly by the English Cooperative Wholesale (C.W.S.) and a Danish farm marketing cooperative. All these examples prove that "natural" antagonism between the farmer and the consumer on the price basis alone is absurd and right prices, fair to both, can be determined by the method of price engineering and setting up joint farmer-consumer enterprises.

In this country, consumer cooperatives are handling cheese from Land O'Lakes cooperative creameries, canned soup from a producers' cooperative in Indiana, canned vegetables from cooperative canneries in Minnesota and Wisconsin, and canned fruit from marketing cooperatives in California. Although direct marketing involves some compensating costs on its own account, and in some cases these may be almost as great as those costs which it displaces, still, broadly speaking, substantial savings in distribution of agricultural products could probably be achieved, both from the point of view of the farmer as well as the consumer, if the government adopted the policy of sponsoring joint farmer-consumer enterprises, encouraging farmers' participation in consumer cooperatives, and fostering the expansion of activities of purchasing departments of the available farmers' marketing associations. In food retailing such a policy could contribute to the integration of the wholesaling function with that of retailing. This, in turn, would enable to put more emphasis on the rapid turn-over, larger volume per store and better application of labor-saving methods.

VIII. COOPERATIVES AND DIFFUSED OWNERSHIP

In the article "Reducing the Costs of Food Distribution" by A. C. Hoffman and F. V. Waugh, (Yearbook of Agriculture for 1940, pp. 627-637) the following statement is made:

> "The number of grocery stores.... has increased from about 160,000 in 1900 to 355,000 in 1935. Population per store has decreased in this same period from 486 to 358. Part of this increase in retail facilities is due to the fact that a larger proportion of the population now lives in cities and requires more in the way of retail facilities. But it also signifies a growing excess of retail facilities, the cost of which must be reflected either in wider marketing spreads then would otherwise be necessary or in a lowered rate of recompense to the labor and capital employed in retailing enterprises.... We do not need all our creameries and canneries and grain elevators.... substantial cost savings could be made if all of the supply were to move through the most efficient types of plants.... In general this would probably mean a substantial increase in the average size of plant and handling agencies, and it would certainly mean a reduction in numbers of handlers so as to bring the over-all capacity of the marketing system more in line with the facilities actually needed to process and distribute food products."

The recent Congressional Hearings on small business revealed clearly the difficult conditions with which the small enterprise in this country is confronted today. A great increase in ~~marketing~~ MORTALITY of small independent retail stores is imminent under conditions of war economy. In July 1941, the government of Great Britain withdrew, the supplies of all rationed commodities from shops with fewer than 25 customers registered for those commodities. It is not out of question that also in this country, the Government will be compelled to discriminate in favor of the large-scale distributing enterprise in order to achieve certain rationalization of the distributive system.

Elimination of wasteful practices by concentration of distribution, from a purely economic point of view, probably can be only welcomed. One cannot deny, however, that such a process of concentration would represent a social danger. By adapting the policy of discrimination in favor of more efficient large-scale private distributive enterprises, the Government may risk destroying economic democracy, that is the very foundation of political democracy for which we are fighting.

In this vicious circle of the problem of rational distribution under conditions of war economy, the cooperative distributing enterprise may render an exclusive service by virtue of its economic nature. Centralization and concentration of cooperative distribution cannot have implications similar to those in the case of private business: in the case of cooperatives they cannot result in piling up profits and power in the hands of a few owners. If the amalgamation of the English and Scottish Cooperative Wholesales, with their combined annual business of $756 million will be affected, the new gigantic food distributing enterprise still will be controlled democratically, on the principle one member one vote, and the share capital will still be only a servant not reflecting the economic power of its masters. Such an amalgamation will only increase efficiency and enable the introduction of additional large-scale methods.

The eventual concentration of private distributive business in this country, stimulated by the motive of elimination of waste in distribution, in war economy, will imminently result in further concentration of wealth, further development of absentee ownership, and monopoly profits. In the case of cooperation one cannot make profits by selling to oneself and, therefore,

concentration in cooperation may be safely considered only from the angle of technical advantage of centralization and coordinated planning.

IX. CONCLUSION

The outlined examination of the characteristics of consumers' cooperatives as distinguished from private trade, was made in the light of an eventual contribution, they could make, and a role which they could play in the rationalization of distribution. The conclusion which can be drawn certainly should not call for the blueprinting of some Utopian schemes or a plan to replace the prevailing system of distribution by consumer-cooperatives. First of all, broadly speaking, no one can say today exactly what functions in our modern economy can best be carried out by cooperatives, which ones can best be performed by private business and, which ones can most suitably be discharged by government enterprise.

Second, if any "substitutions" for the prevailing system have to be considered, then not only advantages but also shortcomings of consumer cooperation have to be discussed in detail.

Third, any plans for "establishing" of a completely new system of distribution by decrees from the top, even just for the time of war, can lead to long and abstract discussions only and not to an immediate practical action.

And fourth, "decreeing" cooperatives would be agirst the very elementary principle of cooperation itself, as according to theory of cooperation the development of the cooperative movement is supposed to be an evolutionary process, based on the education of the consumer, Cooperative leaders usually are opposed to special favors on the part of the government,

cooperatives being considered an antidote to radical economics-political changes. They are expected to be organized and to grow from the bottom in process of free competition with private form of enterprise, and not to be created by the Government. 1/

Neither can the foregoing analysis of cooperatives suggest any purely technical saving devises, such as reducing the number of brands, changing methods of packing, etc. Suggestions in regard to any desirable changes of this nature can be arrived at by studying the distributive process as such, regardless of whether it goes through cooperative channels or through private trade.

The analysis of cooperative methods of distribution and the search for adequate criterions of the rationalization of trade, however, unavoidably suggest recognition of the consumer enterprise as a specific form of business, which made a place for itself among the other methods of trade and constitutes today an integral part of the national economy of the United States. As such, it calls for the same treatment and attitude on the part of the Government as does private enterprise.

1/ In connection with this, the following statements can be quoted profitably, taking into consideration that they appeared on the editorial page of the "Wall Street Journal" (September 2, 1942, issue): ".....The cooperative movement is today, as it has never been before, a living answer to some of the problems over which logomachy rages - planned economy, for instance, and even 'democracy' itself..... It stands over against the whole Socialist and Communist notion for the compressing of all men into a rigid 'cooperative commonwealth' by uniting all who care to join it in a voluntary common effort and leaving everyone else to go his own way. It stands over against the laissez-faire 'Capitalism' by competing successfully with it. It stands over against all 'pressure groups' seeking nourishment at the public trough..... it is not interested in 'politics'....There is not the smallest sign that its growth may not continue wherever there is any real freedom of action...."

"The same attitude" may require, however, sometimes special governmental measures directed toward the protection of cooperatives only. For instance, as a result of the National Industrial Recovery Act and formation of the Codes of Fair Competition the consumer cooperative enterprise in the United States could easily have lost their right to exist, due to the fact that certain N.R.A. codes contained a provision aginst the giving of rebates to purchasers. Only the direct intervention on the part of the President, in October, 1933, who signed to this end three special Executive orders, gave cooperatives a further lease on life. The intervention of the Executive resulted in the following formulation of the Section 4 of the Act:

> "Nothing in this Act shall prevent a cooperative association returning to its members, producers, or consumers the whole, or any part of, the net earnings or surplus resulting from its trading operations, in proportion to their purchases or sales from, to, or through the association."

From a purely formal point of view this statement may suggest "preferential" treatment of cooperatives. Actually, it was only recognition of equal rights of cooperative enterprise and private business. That practice which might have been considered "unfair competition" within the scope of activities of private enterprise was recognized an inherent principle of cooperatives and the intervention of the President actually put both forms of business on a basis of equality.

The theoretical recognition of the cooperative segment of rational economy must logically lead to calling upon cooperatives and using their machinery at a time when the whole economy of the country is mobilized for the all-out-effort. The outlined analysis of cooperatives makes it clear

that from a technical approach to the distribution, there is no justification whatsoever for neglecting cooperatives within the program of any governmental measures directed toward rationalization of distribution. The argument that the cooperative segment of distribution, is in comparison with private business too small and unimportant cannot be valid today. First of all, it is small relatively only. In absolute figures and terms the business-turnover reaching $700,000,000 a year and a form of distribution of concern to ten millions of population are not too small to be ignored completely at any time. Second, nothing can be too small when it comes to an all-out-effort. In spite of all this, consumers cooperatives as a technical device of rationalization of trade, have been completely neglected and ignored by the governmental agencies concerned with distribution. The census of business does not distinguish even between the genuine cooperatives and distributive enterprises using the word "cooperative" only as a part of their trade name. Treatment of cooperatives within the scope of work of governmental agencies dealing with consumers' interests in general, places emphasis on their social benefits exclusively, veils cooperatives' function of exchange and results in ignoring and neglecting them as a form of the business enterprise. The following statement, found in the conclusions of the report prepared for the European Conference on Rural Life, 1939, may be quoted here profitably 1/:

> "What is required is that it (the government) give the cooperative institutions, where necessary, not so much direct financial assistance, as moral and technical support.... where the cooperative organizations are already firmly established.... give these organizations their place in every general scheme to organize rural credit, regulate the market in agricultural products and control the conditions of production.... the collaboration of cooperative organizations....would provide a valuable safeguard both against rash improvisation and against spiritless routine."

1/ League of Nations. European Conference on Rural Life, 1939. General Technical Documentation. Cooperative Action on Rural Life. pp.41-42.

Neglecting cooperatives as a distributing business enterprise is, in the full meaning of the word, one of the functional wastes of the present system of distribution in general, and of the system of distribution of foodstuffs in particular. And if such a neglecting is a waste then the following program of savings may be suggested in concluding this report:

1. Consumer cooperatives should be called upon to participate in working out and executing any governmental program of distribution on the basis of a parity with private business.

2. Any proposed schemes of F.D.A. and C.P.A. should be examined not only in the light of their influence on private trade, but also in light of protection of the interests of consumer cooperatives.

3. Credit facilities rendered by the Government to private trade should be appliable to cooperatives as well.

4. Contacts and collaboration maintained between F.D.A. and C.P.A., and representatives of private business should be extended to cooperatives as well.

5. Informational service of F.D.A., publishing today data on private trade only, should be adequatelly expanded.

6. All possible effort should be made to encourage activities of the purchasing departments of farmers marketing cooperatives in the field of distribution of food.

7. Testing laboratories and research facilities of cooperatives should receive the same stimulation and leadership as those of private business.

8. Cooperative education should receive the same aid as is rendered

in the case of private trade 1/.

9. As a part of F.D.A. machinery, there ahould be established at least a nucleous-organization to serve consumer cooperatives, concerned with food distribution, and to be for F.D.A. itself a place where information on consumer cooperatives be gathered, their work be followed, and the necessary contacts with cooperatives be maintained 2/. As a matter of fact, in 1924 the Report on Cooperation in Foreign Countries of the

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1/ It is rather significant that when the Ministry of Labor and Communications in Venezuela organized course on cooperation in October 1942, large number of high officials of the government of Venezuela registered as students for the course.

2/ Last February (1943), Senator A. Capper re-submitted his bill (S.610) to establish Division of Cooperatives in the Department of Agriculture. In April 24, 1940, at the hearings on the original bill of Senator Capper (S2138) the following statements were made by Vice Presidnet Henry A. Wallace (pp.47-55 of the hearings): "....The cooperative way of doing things is peculiarly appropriate in this country. It is not only in harmony with our democratic traditions, it is almost essential to them.... Renewed attention, therefore, should be given to the broad aspects of cooperation... I can see many advantages in establishing a Division of Cooperatives in the Department... We would have a better opportunity to study more thoroughly all phases of the cooperative movement... The Consumers' Council clearly should not be transferred to the proposed Division.... The Consumers' Council does not conduct research on cooperative problems.... establishing a means of giving more attention to cooperation and cooperatives would fill a long-felt need.... If a Division of Cooperatives is established in the Department, the Secretary of Agriculture would arrange for appropriate cooperative relationships between the new division and all other branches of the Department which carry on services of any kind in the cooperative field. This would include the cooperative phases of the Farm Security Administration and Rural Electrification Administration Programs, the Cooperative Research and Service Division, the Banks for Cooperatives, and the Credit Union Section of Farm Credit Administration, the Marketing Research of the Bureau Agricultural Economics, and no doubt some work in other agencies, such as the C.C.C., the Division of Marketing and Marketing Agreements of A.A.A., certain cooperative work in the Forest Service, and the Office of Consumers' Council. Thus we could focus our thinking and planning dynamically on the cooperative method and make, I am sure, truly significant contribution in this whole field."

Federal Trade Commission recommended that "Retail Consumers' Cooperative Societies be promoted in the thickly populated rural districts of the United States", while in 1937 the Report of the President's "Inquiry on Cooperative Enterprise in Europe" recommended that "for the purpose of Government activities s single division might well be established that would provide information and advisory service, and would likewise deal with the subject." (See p. 119 of the report.)

As it is today the United States Government is probably the only Government in the world not equipped with an adequate machinery to specifically serve consumer cooperatives with technical and moral support, to regularly follow their development, and to utilize their services in time when interests of the nation may require the collaboration of consumer cooperatives with the Government.

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